

GRISWOLD COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2007

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Griswold Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2006 Election)		
Cherie Miner	President	2006
Linda Jahnke	Vice President (Resigned)	2006
Todd Weppler	Vice President (Appointed)	2006
Terry Whiley	Board Member	2008
Mary Perdue	Board Member	2008
Brenda Haas	Board Member	2008
Scott Hansen	Board Member	2007
Clarion Campbell	Board Member	2007
Board of Education (After September 2006 Election)		
Cherie Miner	President	2009
Clarion Campbell	Vice President	2007
Steve Baier	Board Member	2009
Terry Whiley	Board Member	2008
Mary Perdue	Board Member	2008
Brenda Haas	Board Member	2008
Scott Hansen	Board Member	2007
School Officials		
Darwin Lehmann	Superintendent	2007
Mary Beth Fast	District Secretary/Treasurer and Business Manager	2007
Rawson Stevens	Attorney	2007

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(a professional corporation)
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Griswold Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Griswold Community School District, Griswold, Iowa as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Griswold Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 14, 2008, on our consideration of the Griswold Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 31 through 32 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Griswold Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Nolte, Cornman & Johnson PC
NOLTE, CORNMAN & JOHNSON, P.C.

February 14, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Griswold Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,926,279 in fiscal 2006 to \$5,043,965 in fiscal 2007, while General Fund expenditures increased from \$5,067,783 in fiscal 2006 to \$5,376,675 in fiscal 2007. This resulted in a decrease in the District's General Fund balance from \$1,110,128 in fiscal 2006 to a balance of \$777,418 in fiscal 2007, a 29.97% decrease from the prior year. This decrease in fund balance is due to the increase in expenditures being greater than the increase in revenues during the year. The increase in expenditures is due primarily to the increases associated with negotiated salaries and benefits.
- An increase in interest rates, combined with more cash available to be invested, resulted in interest earnings in the General Fund alone to increase from \$33,184 in fiscal year 2006 to \$36,308 in fiscal year 2007.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Griswold Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Griswold Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Griswold Community School District acts solely as an agent or custodial for the benefit of those outside of School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Griswold Community School District Annual Financial Report

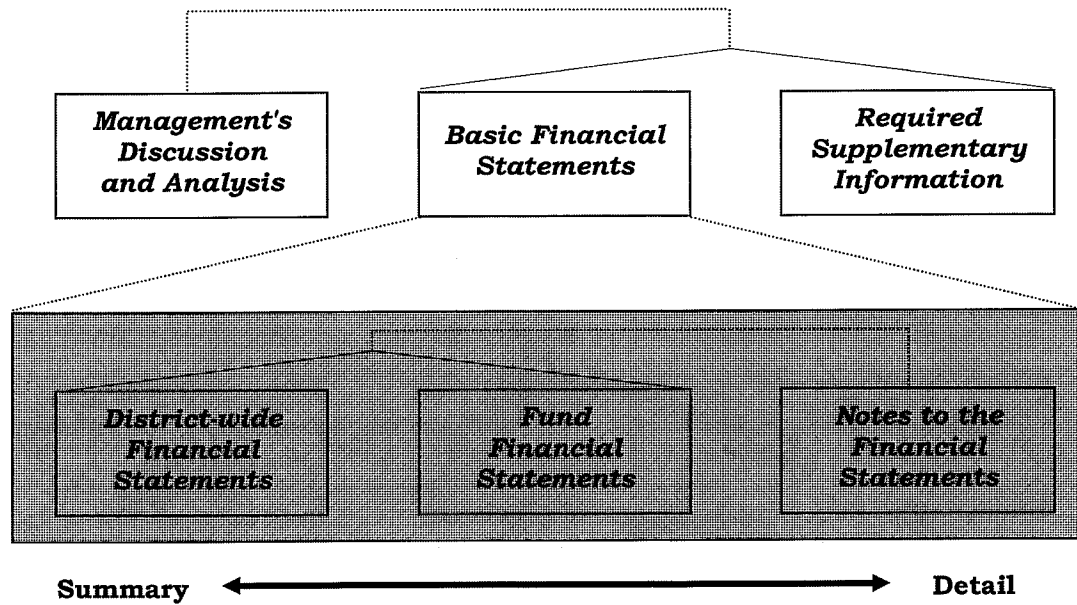


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements			
	District-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2007 compared to June 30, 2006.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Current and other assets	\$ 4,274,132	4,610,067	22,858	49,170	4,296,990	4,659,237	-7.77%
Capital assets	2,766,789	2,786,087	22,390	21,668	2,789,179	2,807,755	-0.66%
Total assets	7,040,921	7,396,154	45,248	70,838	7,086,169	7,466,992	-5.10%
Long-term obligations	17,493	31,447	0	0	17,493	31,447	-44.37%
Other liabilities	2,440,037	2,453,858	24,442	21,826	2,464,479	2,475,684	-0.45%
Total liabilities	2,457,530	2,485,305	24,442	21,826	2,481,972	2,507,131	-1.00%
Net assets:							
Invested in capital assets, net of related debt	2,766,789	2,786,087	22,390	21,668	2,789,179	2,807,755	-0.66%
Restricted	1,045,833	836,914	0	0	1,045,833	836,914	24.96%
Unrestricted	770,769	1,287,848	(1,584)	27,344	769,185	1,315,192	-41.52%
Total net assets	\$ 4,583,391	4,910,849	20,806	49,012	4,604,197	4,959,861	-7.17%

The District's combined net assets decreased by 7.17%, or \$355,664, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$208,919 or 24.96% over the prior year. The increase was primarily a result of increased Capital Projects Fund balance.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$546,007 or 41.52%. This decrease in unrestricted net assets was a result of the District decrease in the General Fund balance and Activity Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2007 compared to June 30, 2006.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Revenues:							
Program revenues:							
Charges for services	\$ 334,467	397,467	169,868	170,588	504,335	568,055	-11.22%
Operating grants and contributions and restricted interest	847,373	585,228	121,303	108,946	968,676	694,174	39.54%
General revenues:							
Property tax	1,559,854	2,237,666	0	0	1,559,854	2,237,666	-30.29%
Local option sales and service tax	381,346	378,500	0	0	381,346	378,500	0.75%
Unrestricted state grants	2,359,963	2,355,483	0	0	2,359,963	2,355,483	0.19%
Unrestricted investment earnings	55,289	39,817	220	116	55,509	39,933	39.01%
Other	103,680	34,648	0	0	103,680	34,648	100.00%
Total revenues	5,641,972	6,028,809	291,391	279,650	5,933,363	6,308,459	-5.95%
Program expenses:							
Governmental activities:							
Instructional	3,442,867	3,336,225	0	0	3,442,867	3,336,225	3.20%
Support services	2,149,232	1,883,152	0	0	2,149,232	1,883,152	14.13%
Non-instructional programs	453	3,705	318,803	293,019	319,256	296,724	7.59%
Other expenses	376,878	290,072	0	0	376,878	290,072	29.93%
Total expenses	5,969,430	5,513,154	318,803	293,019	6,288,233	5,806,173	8.30%
Excess(deficiency) of revenues over(under) expenditures	(327,458)	515,655	(27,412)	(13,369)	(354,870)	502,286	-170.65%
Other financing uses, net	0	0	(794)	(332)	(794)	(332)	139.16%
Change in net assets	(327,458)	515,655	(28,206)	(13,701)	(355,664)	501,954	-170.86%
Beginning net assets	4,910,849	4,395,194	49,012	62,713	4,959,861	4,457,907	11.26%
Ending net assets	\$ 4,583,391	4,910,849	20,806	49,012	4,604,197	4,959,861	-7.17%

In fiscal 2007, property tax and unrestricted state grants account for 69.47% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.92% of the revenue from business type activities.

The District's total revenues were approximately \$5.93 million of which \$5.64 million was for governmental activities and \$.29 million was for business type activities.

As shown in FigureA-4, the District as a whole experienced a 5.95% decrease in revenues and an 8.30% increase in expenses. The increase in expenses was a result of the increases in the negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$5,641,972 and expenses were \$5,969,430.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 3,442,867	2,453,487
Support services	2,149,232	2,149,232
Non-instructional	453	453
Other expenses	376,878	184,418
Totals	<u>\$ 5,969,430</u>	<u>4,787,590</u>

- The cost financed by users of the District's programs was \$334,467.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$847,373.
- The net cost of governmental activities was financed with \$1,559,854 in property tax, \$381,346 in local option sales and services tax, \$2,359,963 in unrestricted state grants, \$55,289 in unrestricted investment earnings and \$103,680 in other general revenues.

Business-Type Activities

Revenues of the District's business-type activities were \$291,391 and expenses were \$319,597. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Griswold Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,834,095, below last year's ending fund balances of a \$1,970,950.

Governmental Fund Highlights

- The General Fund balance decreased from \$1,110,128 to \$777,418. This was primarily due to the increase in expenditures for the year being greater than the increase in revenues for the year.
- The Management fund balance increased from \$212,186 to \$291,626. This was due primarily to fund revenues surpassing fund expenditures during the fiscal year.
- The Capital Projects Fund balance increased from \$418,279 to \$631,386. This was primarily due to the increase in local option sales and services tax and reduced fund expenditures as compared to the previous year.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$49,012 at June 30, 2006 to \$20,806 at June 30, 2007, representing a decrease of 57.55%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$89,106 less than budgeted amounts, a variance of 1.44%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget exceeded the amount budgeted in the other expenses functional area due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$2,789,179, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 0.67% from last year. More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$332,655.

The original cost of the District's capital assets was \$5,714,646. Governmental funds account for \$5,620,948 with the remainder of \$93,698 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$62,509 at June 30, 2006, compared to \$0 reported at June 30, 2007. The change was due to completion of projects from the previous year.

Figure A-6

	Capital Assets, Net of Depreciation						
	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	2007	2006	2007	2006	2007	2006	2006-07
Land	\$ 80,747	80,747	0	0	80,747	80,747	0.00%
Construction in progress	0	62,509	0	0	0	62,509	-100.00%
Buildings	2,394,464	2,380,781	0	0	2,394,464	2,380,781	0.57%
Land improvements	33,318	33,704	0	0	33,318	33,704	-1.16%
Machinery and equipment	258,260	228,346	22,390	21,668	280,650	250,014	10.92%
Total	\$ 2,766,789	2,786,087	22,390	21,668	2,789,179	2,807,755	-0.67%

Long-Term Debt

At June 30, 2007, the District had \$17,493 in early retirement debt outstanding. This represents a decrease of 44.4% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 4 to the financial statements.

The District also had total outstanding Early Retirement payable from the Special Revenue - Management Fund of \$17,493 at June 30, 2007.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	2007	2006	
Early retirement	\$ 17,493	31,447	-44.4%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- An Instructional Support Levy was passed in the spring of 2004. This revenue will help offset increased technology expenditures.
- The District has faced declining enrollment since FY 2002.
- The District can look forward to increased revenues for the Capital Projects Fund due to the passage of the Local Option Sales Tax in Cass County in the fall of 2004.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mary Beth Fast, District Secretary/Business Manager, Griswold Community School District, 20 Madison Street, P.O. Box 280, Griswold, Iowa, 51535.

BASIC FINANCIAL STATEMENTS

GRISWOLD COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,258,478	12,724	2,271,202
Receivables			
Property tax:			
Delinquent	30,318	0	30,318
Succeeding year	1,796,038	0	1,796,038
Interfund	20,784	0	20,784
Accounts	68,385	0	68,385
Due from other governments	100,129	0	100,129
Inventories	0	10,134	10,134
Capital assets, net of accumulated depreciation (Note 3)	2,766,789	22,390	2,789,179
TOTAL ASSETS	7,040,921	45,248	7,086,169
LIABILITIES			
Interfund payable	0	20,784	20,784
Accounts payable	103,308	687	103,995
Salaries and benefits payable	540,691	0	540,691
Deferred revenue:			
Succeeding year property tax	1,796,038	0	1,796,038
Unearned revenue	0	2,971	2,971
Long-term liabilities (Note 4):			
Portion due within one year:			
Early retirement payable	13,994	0	13,994
Portion due after one year:			
Early retirement payable	3,499	0	3,499
TOTAL LIABILITIES	2,457,530	24,442	2,481,972
NET ASSETS			
Investment in capital assets, net of related debt	2,766,789	22,390	2,789,179
Restricted for:			
Professional development	6,649	0	6,649
Management levy	274,133	0	274,133
Physical plant and equipment levy	100,295	0	100,295
Capital projects	631,386	0	631,386
Other special revenue purposes	33,370	0	33,370
Unrestricted	770,769	(1,584)	769,185
TOTAL NET ASSETS	\$ 4,583,391	20,806	4,604,197

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

GRISWOLD COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 2,015,003	143,638	640,264	(1,231,101)	0	(1,231,101)
Special instruction	581,082	46,714	375	(533,993)	0	(533,993)
Other instruction	846,782	144,115	14,274	(688,393)	0	(688,393)
	3,442,867	334,467	654,913	(2,453,487)	0	(2,453,487)
Support services:						
Student services	58,264	0	0	(58,264)	0	(58,264)
Instructional staff services	355,909	0	0	(355,909)	0	(355,909)
Administration services	630,114	0	0	(630,114)	0	(630,114)
Operation and maintenance of plant services	700,879	0	0	(700,879)	0	(700,879)
Transportation services	404,066	0	0	(404,066)	0	(404,066)
	2,149,232	0	0	(2,149,232)	0	(2,149,232)
Non-instructional programs	453	0	0	(453)		(453)
Other expenditures:						
AEA flowthrough	192,460	0	192,460	0	0	0
Depreciation(unallocated)*	184,418	0	0	(184,418)	0	(184,418)
	376,878	0	192,460	(184,418)	0	(184,418)
Total governmental activities	5,969,430	334,467	847,373	(4,787,590)	0	(4,787,590)
Business-Type activities:						
Non-instructional programs:						
Nutrition services	318,803	169,868	121,303	0	(27,632)	(27,632)
Total business-type activities	318,803	169,868	121,303	0	(27,632)	(27,632)
Total	\$ 6,288,233	504,335	968,676	(4,787,590)	(27,632)	(4,815,222)
General Revenues:						
Property tax levied for:						
General purposes			\$ 1,510,614	0	1,510,614	
Capital outlay			49,240	0	49,240	
Local option sales and services			381,346	0	381,346	
Unrestricted state grants			2,359,963	0	2,359,963	
Unrestricted investment earnings			55,289	220	55,509	
Gain on sale of assets			539	0	539	
Other			103,141	0	103,141	
Total general revenues			4,460,132	220	4,460,352	
Changes in net assets before other financing uses			(327,458)	(27,412)	(354,870)	
Other financing uses:						
Loss on asset disposal			0	(794)	(794)	
Changes in net assets			(327,458)	(28,206)	(355,664)	
Net assets beginning of year			4,910,849	49,012	4,959,861	
Net assets end of year			\$ 4,583,391	20,806	4,604,197	

* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

GRISWOLD COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	General	Management Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS					
Cash and pooled investments	\$ 1,271,989	288,922	565,235	132,332	2,258,478
Receivables:					
Property tax:					
Delinquent	26,757	2,704	0	857	30,318
Succeeding year	1,645,026	100,000	0	51,012	1,796,038
Interfund	20,784	0	0	0	20,784
Accounts	67,909	0	0	476	68,385
Due from other governments	33,978	0	66,151	0	100,129
TOTAL ASSETS	\$ 3,066,443	391,626	631,386	184,677	4,274,132
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 103,308	0	0	0	103,308
Salaries and benefits payable	540,691	0	0	0	540,691
Deferred revenue:					
Succeeding year property tax	1,645,026	100,000	0	51,012	1,796,038
Total liabilities	2,289,025	100,000	0	51,012	2,440,037
Fund balances:					
Reserved for:					
Professional development	6,649	0	0	0	6,649
Unreserved:					
Undesignated	770,769	291,626	631,386	133,665	1,827,446
Total fund balances	777,418	291,626	631,386	133,665	1,834,095
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,066,443	391,626	631,386	184,677	4,274,132

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

GRISWOLD COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007

Total fund balances of governmental funds (page 15)	\$ 1,834,095
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	2,766,789
Long-term liabilities, such as early retirement, are not due and payable in the current period and, therefore, are not reported in the funds.	(17,493)
Net assets of governmental activities (page 13)	<u>\$ 4,583,391</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

GRISWOLD COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	General	Manage- ment Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 1,539,739	156,134	381,346	49,240	2,126,459
Tuition	190,352	0	0	0	190,352
Other	127,754	25,407	11,017	160,122	324,300
State sources	3,030,523	0	0	0	3,030,523
Federal sources	155,058	0	0	0	155,058
Total revenues	5,043,426	181,541	392,363	209,362	5,826,692
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	2,103,868	17,122	0	0	2,120,990
Special instruction	571,774	0	0	0	571,774
Other instruction	634,892	0	0	227,958	862,850
	3,310,534	17,122	0	227,958	3,555,614
Support services:					
Student services	58,264	0	0	0	58,264
Instructional staff services	355,909	0	0	0	355,909
Administration services	613,397	21,688	0	0	635,085
Operation and maintenance of plant services	540,977	40,328	51,185	65,397	697,887
Transportation services	305,134	22,510	59,555	3,524	390,723
	1,873,681	84,526	110,740	68,921	2,137,868
Non-instructional programs					
Food service operations	0	453	0	0	453
Other expenditures:					
Facilities acquisitions	0	0	68,516	9,175	77,691
AEA flowthrough	192,460	0	0	0	192,460
	192,460	0	68,516	9,175	270,151
Total expenditures	5,376,675	102,101	179,256	306,054	5,964,086
Excess(deficiency) of revenues over(under) expenditures	(333,249)	79,440	213,107	(96,692)	(137,394)
Other financing sources:					
Sale of equipment	539	0	0	0	539
Transfer in	0	0	0	72,245	72,245
Transfer out	0	0	0	(72,245)	(72,245)
Total other financing sources	539	0	0	0	539
Net change in fund balances	(332,710)	79,440	213,107	(96,692)	(136,855)
Fund balance beginning of year	1,110,128	212,186	418,279	230,357	1,970,950
Fund balance end of year	\$ 777,418	291,626	631,386	133,665	1,834,095

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

GRISWOLD COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2007

Net change in fund balances - total governmental funds (page 17) \$ (136,855)

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 309,206	
Depreciation expense	(328,504)	(19,298)

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds.		(185,259)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement		13,954
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Changes in net assets of governmental activities (page 14)		\$ (327,458)
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SEE NOTES TO BASIC FINANCIAL STATEMENTS.

GRISWOLD COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2007

	<u>School Nutrition</u>
ASSETS	
Cash and pooled investments	\$ 12,724
Inventories	10,134
Capital assets, net of accumulated depreciation(Note 3)	<u>22,390</u>
Total assets	<u>45,248</u>
LIABILITIES	
Interfund payable	20,784
Accounts payable	687
Unearned revenue	<u>2,971</u>
Total liabilities	<u>24,442</u>
NET ASSETS	
Investment in capital assets	22,390
Unrestricted	<u>(1,584)</u>
Total net assets	<u>\$ 20,806</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

GRISWOLD COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2007

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 169,868
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	119,253
Benefits	15,641
Services	3,608
Supplies	175,333
Depreciation	4,151
Other	817
TOTAL OPERATING EXPENSES	<u>318,803</u>
OPERATING LOSS	<u>(148,935)</u>
NON-OPERATING REVENUES:	
State sources	3,727
Federal sources	117,576
Interest on investments	220
TOTAL NON-OPERATING REVENUES	<u>121,523</u>
Change in net assets before other financing uses	(27,412)
OTHER FINANCING USES:	
Loss on asset disposal	<u>(794)</u>
Change in net assets	(28,206)
Net assets beginning of year	<u>49,012</u>
Net assets end of year	<u>\$ 20,806</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

GRISWOLD COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2007

Exhibit I

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 171,464
Cash payments to employees for services	(131,265)
Cash payments to suppliers for goods or services	(164,766)
Net cash used in operating activities	<u>(124,567)</u>
Cash flows from non-capital financing activities:	
State grants received	3,727
Federal grants received	98,541
Net cash provided by non-capital financing activities	<u>102,268</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	<u>(5,667)</u>
Cash flows from investing activities:	
Interest on investments	<u>220</u>
Net decrease in cash and cash equivalents	(27,746)
Cash and cash equivalents at beginning of year	<u>40,470</u>
Cash and cash equivalents at end of year	<u>\$ 12,724</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (148,935)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	19,035
Depreciation	4,151
Increase in inventories	(3,022)
Decrease in accounts receivable	1,588
Decrease in accounts payable	(1,021)
Increase in salaries and benefits payable	3,629
Increase in deferred revenue	8
Net cash used in operating activities	<u>\$ (124,567)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u>\$ 12,724</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2007, the District received Federal commodities valued at \$19,035.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

GRISWOLD COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2007

(1) Summary of Significant Accounting Policies

The Griswold Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the district either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the city of Griswold, Iowa, and the predominate agricultural territory in Montgomery, Adams, Cass, and Pottawattamie Counties. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Griswold Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Griswold Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Montgomery, Adams, Cass, and Pottawattamie County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues,

are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Management Fund is utilized to account for the District's early retirement benefits, workmen's comprehensive claims, and payments for the District's property insurance.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The District reports the following proprietary fund:

The District's proprietary funds are the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the Government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Land improvements	1,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Long-term Liabilities - In the Government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007 expenditures in the other expenditures functional area exceeded the amount budgeted.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2007 were entirely covered by Federal depository insurance, collateralized with securities or letters of credit held by the District or the District's agent in the District's name, or by multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2007, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ 1,024,193

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 80,747	0	0	80,747
Construction in progress	62,509	0	62,509	0
Total capital assets not being depreciated	143,256	0	62,509	80,747
Capital assets being depreciated:				
Buildings	4,336,977	195,560	0	4,532,537
Land improvements	48,703	2,155	0	50,858
Machinery and equipment	849,738	174,000	66,932	956,806
Total capital assets being depreciated	5,235,418	371,715	66,932	5,540,201
Less accumulated depreciation for:				
Buildings	1,956,196	181,877	0	2,138,073
Land improvements	14,999	2,541	0	17,540
Machinery and equipment	621,392	144,086	66,932	698,546
Total accumulated depreciation	2,592,587	328,504	66,932	2,854,159
Total capital assets being depreciated, net	2,642,831	43,211	0	2,686,042
Governmental activities capital assets, net	\$ 2,786,087	43,211	62,509	2,766,789
Business-type activities:				
Machinery and equipment	\$ 91,777	5,667	3,746	93,698
Less accumulated depreciation	70,109	4,151	2,952	71,308
Business-type activities capital assets, net	\$ 21,668	1,516	794	22,390

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 17,839
Special	9,308
Other	14,552

Support services:

Administration	5,723
Operation and maintenance of plant	23,766
Transportation	72,898
	<u>144,086</u>

Unallocated depreciation	<u>184,418</u>
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Total governmental activities depreciation expense	<u>\$ 328,504</u>
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Business-type activities:

Food services	<u>\$ 4,151</u>
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(4) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2005 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Early Retirement	\$ 31,447	0	13,954	17,493	13,994

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to years of service multiplied by the amounts from the early retirement schedule found in the District's early retirement policy. These benefits are subject to a maximum of \$18,750 per individual. Early retirement benefits of \$13,954 were paid during the year ended June 30, 2007.

(5) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$190,662, \$181,231 and \$171,968, respectively, equal to the required contributions for each year.

(6) Risk Management

Griswold Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$192,460 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(8) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed the certified budget amounts. During the year ended June 30, 2007 disbursements in the other expenditures functional area exceeded the amount budgeted.

REQUIRED SUPPLEMENTARY INFORMATION

GRISWOLD COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2007

	Governmental	Proprietary		Budgeted Amounts		Final to
Fund Types	Fund Type	Total		Original	Final	Actual
Actual	Actual	Actual				Variance
Revenues:						
Local sources	\$ 2,641,111	170,088	2,811,199	2,990,498	2,990,498	(179,299)
State sources	3,030,523	3,727	3,034,250	2,931,691	2,931,691	102,559
Federal sources	155,058	117,576	272,634	285,000	285,000	(12,366)
Total revenues	5,826,692	291,391	6,118,083	6,207,189	6,207,189	(89,106)
Expenditures:						
Instruction	3,555,614	0	3,555,614	4,077,349	4,077,349	521,735
Support services	2,137,868	0	2,137,868	2,911,772	2,911,772	773,904
Non-instructional programs	453	318,803	319,256	376,471	376,471	57,215
Other expenditures	270,151	0	270,151	203,474	203,474	(66,677)
Total expenditures	5,964,086	318,803	6,282,889	7,569,066	7,569,066	1,286,177
Excess(deficiency) of revenues over(under) expenditures	(137,394)	(27,412)	(164,806)	(1,361,877)	(1,361,877)	(1,197,071)
Other financing sources, net	539	(794)	(255)	5,000	5,000	5,255
Excess(deficiency) of revenues and other financing sources over(under) expenditures	(136,855)	(28,206)	(165,061)	(1,356,877)	(1,356,877)	(1,191,816)
Balance beginning of year	1,970,950	49,012	2,019,962	2,013,921	2,013,921	6,041
Balance end of year	\$ 1,834,095	20,806	1,854,901	657,044	657,044	1,197,857

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GRISWOLD COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

District disbursements for the year ended June 30, 2007 exceeded the budgeted amount in the other expenditures functional area.

OTHER SUPPLEMENTARY INFORMATION

GRISWOLD COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2007

	Special Revenue Funds		
	Student Activity	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 32,894	99,438	132,332
Receivables:			
Property tax:			
Current year delinquent	0	857	857
Succeeding year	0	51,012	51,012
Accounts receivable	476	0	476
TOTAL ASSETS	\$ 33,370	151,307	184,677
LIABILITIES AND FUND BALANCES			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ 0	51,012	51,012
Total Liabilities	0	51,012	51,012
Unreserved fund balances	33,370	100,295	133,665
TOTAL LIABILITIES AND FUND BALANCES	\$ 33,370	151,307	184,677

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GRISWOLD COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2007

	Special Revenue Funds			Total	
	Physical			Other	
	Plant and	Total		Nonmajor	
	Student	Equipment	Special	Debt	Governmental
	Activity	Levy	Revenue	Service	Funds
REVENUES:					
Local sources:					
Local tax	\$ 0	49,240	49,240	0	49,240
Other	158,746	589	159,335	787	160,122
TOTAL REVENUES	158,746	49,829	208,575	787	209,362
EXPENDITURES:					
Current:					
Instruction:					
Other instruction	227,958	0	227,958	0	227,958
Support services:					
Operation and maintenance					
of plant services	0	65,397	65,397	0	65,397
Student transportation	3,524	0	3,524	0	3,524
Other expenditures:					
Facilities acquisitions	0	9,175	9,175	0	9,175
TOTAL EXPENDITURES	231,482	74,572	306,054	0	306,054
EXCESS(DEFICIENCY) OF REVENUES					
OVER(UNDER) EXPENDITURES	(72,736)	(24,743)	(97,479)	787	(96,692)
OTHER FINANCING SOURCES (USES):					
Transfers in	0	72,245	72,245	0	72,245
Transfers out	0	0	0	(72,245)	(72,245)
Total other financing sources (uses)	0	72,245	72,245	(72,245)	0
EXCESS(DEFICIENCY) OF REVENUES AND OTHER					
FINANCING SOURCES OVER(UNDER) EXPENDITURES	(72,736)	47,502	(25,234)	(71,458)	(96,692)
FUND BALANCE BEGINNING OF YEAR	106,106	52,793	158,899	71,458	230,357
FUND BALANCE END OF YEAR	\$ 33,370	100,295	133,665	0	133,665

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GRISWOLD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Instrumental Music	(62)	2,195	2,474	(341)
Vocal Music	485	5,145	4,567	1,063
Athletics	3,497	80,052	76,687	6,862
Adult Ed	905	0	0	905
Annuals	9,396	7,949	8,808	8,537
Class of 2008	2,558	0	1,272	1,286
Class of 2009	0	5,002	2,904	2,098
Class of 2011	56	0	0	56
Class of 2012	1,163	0	2,054	(891)
FFA	3,946	16,994	14,770	6,170
FHA	602	3,817	5,007	(588)
Health Services	352	150	23	479
HOSA	0	3,385	714	2,671
MS Activity	298	150	0	448
General Activity	410	2,020	1,425	1,005
N.H.S.	892	0	375	517
Now Interest	0	357	0	357
Padlocks	421	0	0	421
S.E.S.	1,087	200	500	787
Spanish Club	144	0	0	144
Student Council	1,956	11,297	11,860	1,393
Washington Trip	78,000	18,708	96,306	402
Cheerleaders	0	1,325	1,736	(411)
Total	\$ 106,106	158,746	231,482	33,370

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GRISWOLD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

		Modified Accrual Basis			
		Years Ended June 30,			
		2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax		\$ 2,126,459	2,616,166	2,427,686	2,420,097
Tuition		190,352	170,893	170,793	191,255
Other		324,300	315,734	204,022	222,756
State sources		3,030,523	2,763,327	2,668,263	2,609,392
Federal sources		155,058	158,878	171,340	202,512
Total		\$ 5,826,692	6,024,998	5,642,104	5,646,012
Expenditures:					
Current:					
Instruction:					
Regular instruction		\$ 2,120,990	2,210,723	1,892,645	2,116,005
Special instruction		571,774	544,821	596,605	681,874
Other instruction		862,850	588,633	615,473	467,506
Support services:					
Student services		58,264	37,068	123,521	56,634
Instructional staff services		355,909	293,098	173,106	164,908
Administration services		635,085	591,533	519,779	501,286
Operation and maintenance of plant services		697,887	656,086	558,042	420,855
Transportation services		390,723	301,266	287,520	256,263
Other support services		0	0	0	4,875
Non-instructional programs		453	3,705	2,845	5,533
Other expenditures:					
Facilities acquisitions		77,691	227,282	15,669	112,141
Long-term debt:					
Principal		0	245,000	295,000	285,000
Interest and other charges		0	9,710	20,035	28,485
AEA flow-through		192,460	186,413	185,312	189,400
Total		\$ 5,964,086	5,895,338	5,285,552	5,290,765

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the
Griswold Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Griswold Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 14, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Griswold Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Griswold Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Griswold Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Griswold Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Griswold Community School District's financial statements that is more than inconsequential will not be prevented or detected by Griswold Community School District's internal control. We consider the deficiencies in internal control described in Part I of the Findings Related to the General Purpose Financial Statements.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Griswold Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-07 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Griswold Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Griswold Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Griswold Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Griswold Community School District and other parties to whom Griswold Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Griswold Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

February 14, 2008

GRISWOLD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

- I-A-07 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

- I-B-07 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches.

Response - The District will require non-certified staff who are coaches to keep time cards for their coaching contract.

Conclusion - Response accepted.

- I-C-07 Deposit Slips - We noted during the audit that deposit slips contained no listing of checks that made up the deposit.

Recommendation - Better internal control is achieved when the District lists checks that make up the composition of every deposit on all deposit slips taken to the bank. Tracing where money comes from is made easier in the event of an error.

Response - We will have a listing of checks that make up deposits. Money that is collected in classes will be listed on District forms as support for deposits.

Conclusion - Response accepted.

I-D-07 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). More specific examples of these instances of questioned items and recommendations are as follows:

There is a Now Interest account. It appears that interest earned during the year was not allocated to individual Activity Fund accounts that earned the interest. Interest should be allocated at least once a year.

There is a General Activity account. Revenues in this account include charges for PSAT testing, parking passes and other registration revenues. PSAT revenues appear to be more instructional in nature and should be receipted to the General Fund. Parking pass revenues and other registration revenues should be placed in the General Fund.

There are two accounts without activity during the year. These accounts include a Padlock account and an Adult Education account. These accounts should be reviewed and determined if needed to be closed to other accounts or transferred out of the Student Activity Fund.

The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear that some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. Therefore, they need to be corrected or transferred to the proper fund where these monies can be receipted and expended.

Response - We will review our receipts and see that General Fund receipts are not recorded in the Activity Fund. PSAT testing fees are collected and then remitted to the testing center.

Conclusion - Response accepted.

I-E-07 Overtime Pay - We noted during the audit that the District currently has employees who are consistently working overtime. The need for overtime hours appears to be consistent, therefore, the District, by paying overtime rates, has an increased cost of labor. The District should consider the necessity of the overtime hours and possible alternatives to avoid paying a higher cost of labor.

Recommendation - The District should review overtime pay to employees. The consistency of overtime hours claimed indicates the District should consider alternatives to avoid paying higher wages to complete routine work. The District should conduct time studies to indicate the work needed to be completed taking into account the necessity of overtime hours as well as the cost of overtime hours. Once time studies are completed, then assignments can be made to personnel with available time or a part-time employee could be hired. The addition of part-time employees may benefit the District by paying for work completed at regular rates. The District should also review with supervisors the District's policy on approval of overtime.

Response - Our Board will review the consistent overtime pay and possibly look at a time study to determine if the extra time is necessary for the jobs being preformed. If the Board deems the hours necessary for that job, it will hire additional staff at a non-overtime rate or utilize other part-time employees for the work.

Conclusion - Response accepted.

GRISWOLD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-07 Certified Budget - District disbursements for the year ended June 30, 2007 exceeded the certified budget amounts in the other expenditures functional area.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

- II-B-07 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-07 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- II-D-07 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Brenda Haas, Board Member Owns The Flower Basket	Supplies	\$1,116
Diane Keiser, Assistant Technical Coordinator Owns Hano's Printing	Printing services	\$1,708

In accordance with the Chapter 279.7A of the code of Iowa, the above transactions with the Board Member do not appear to represent a conflict of interest.

In accordance with the Attorney's General's opinion dated July 2, 1990, the above transaction with the Assistant Technical Coordinator does not appear to represent a conflict of interest.

- II-E-07 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-07 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-07 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students reported on Line 1 was overstated by 1.0 students.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - We will contact the Department of Education and the Department of Management regarding the overstatement.

Conclusion - Response accepted.

II-H-07 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-I-07 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-J-07 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation - The District should obtain and retain an image of both the front and back of each cancelled check as required.

Response - Our bank has been contacted and will furnish us with images of the front and back of each check.

Conclusion - Response accepted.

II-K-07 Financial Condition - We noted during our audit that the School Nutrition Fund had deficit unrestricted net assets of \$1,584 at June 30, 2007. We also noted during our audit that the Special Revenue, Student Activity Fund has four deficit accounts totaling \$2,231.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate the deficit. The District should review the controls in place for the Student Activity Fund. Additional controls for approving purchases may be needed.

Response - The District will review the Nutrition Fund and the Activity Fund accounts and seek ways to eliminate the deficits.

Conclusion - Response accepted.